SUPPLY and DEMAND

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6 Supply Shifters and Factors that caused the movement of the supply curve

LAW OF DEMAND

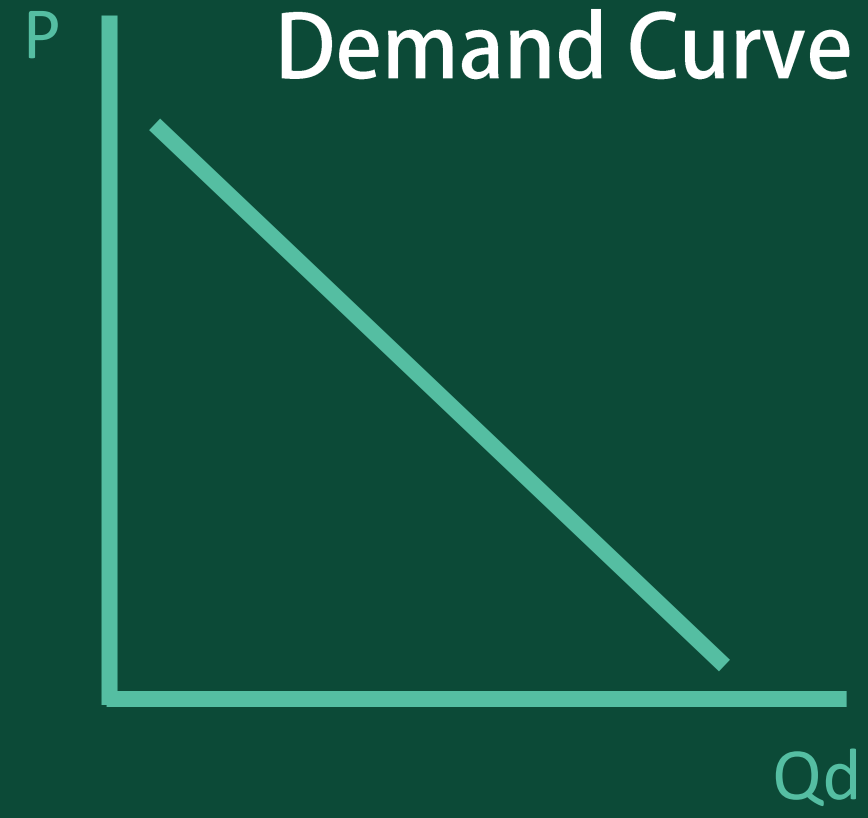
It states that there is an inverse relationship between price and quantity demanded. As the price of good rises, people will require less of it, and as the price of good falls, people will demand more of it.

Demand Schedule

a tabular representation of the inverse relationship between price and the quantity demanded.

	DEMAND SCHEDULE				
Price of Goods	P50	P40	P30	P20	P10
Quantity Demanded	10	25	40	55	70

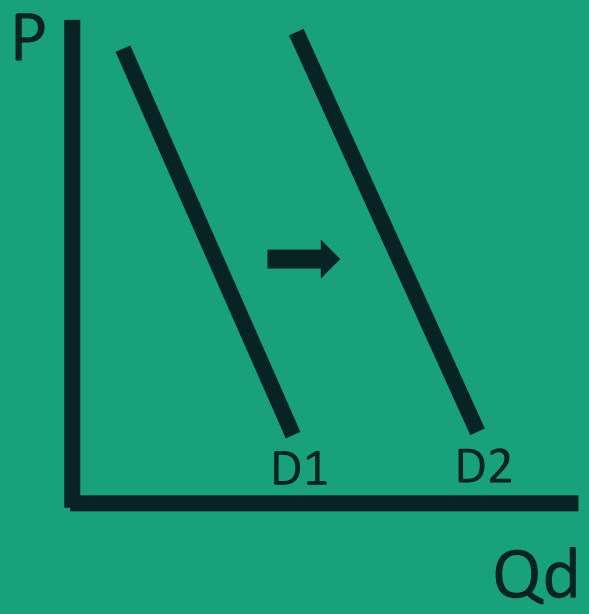
Demand Curve

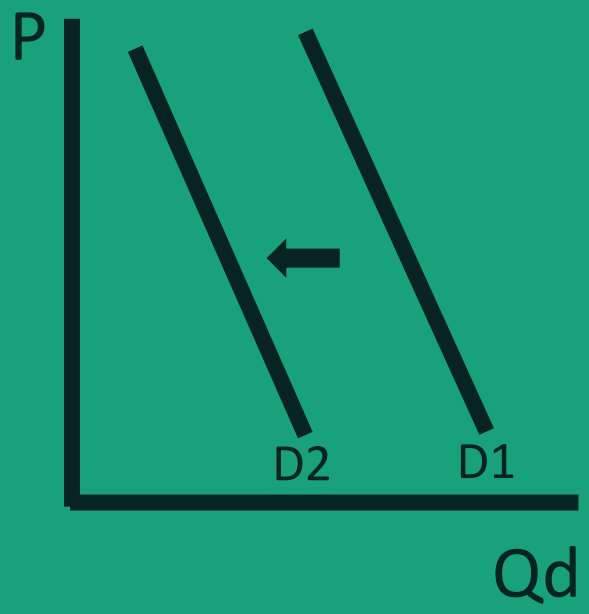


the graphical representation of the inverse relationship between the price and the quantity demanded.

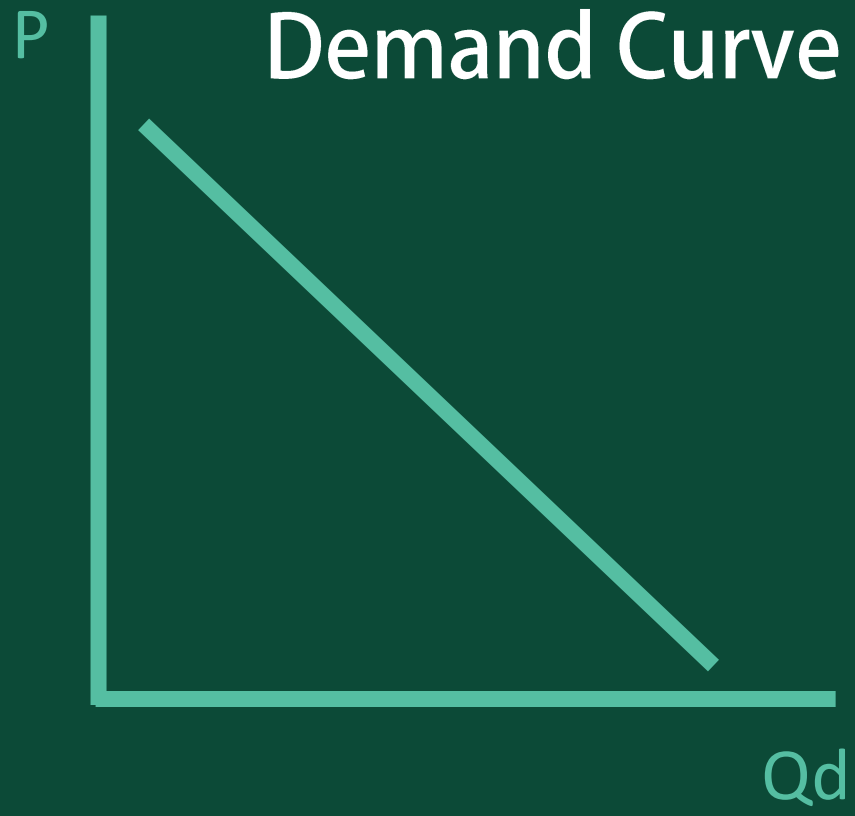
Demand Shifters

These are the factors that affect the movement of the demand curve.





Demand Curve

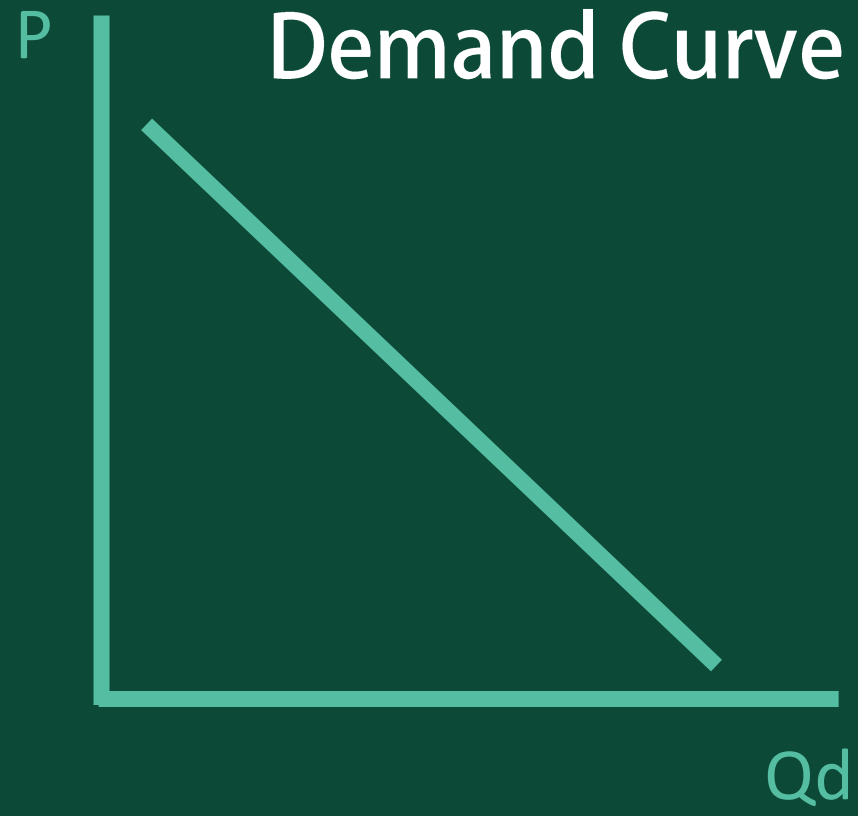


If demand increases shift to the right, and if demand decreases shift to the left.

Factors That Cause a Demand Curve to Shift

1. INCOME
2. NUMBER OF CONSUMERS
3. PRICES OF RELATED GOODS
4. TASTES/ PREFERENCES
5. CONSUMERS' EXPECTATION

Demand Curve

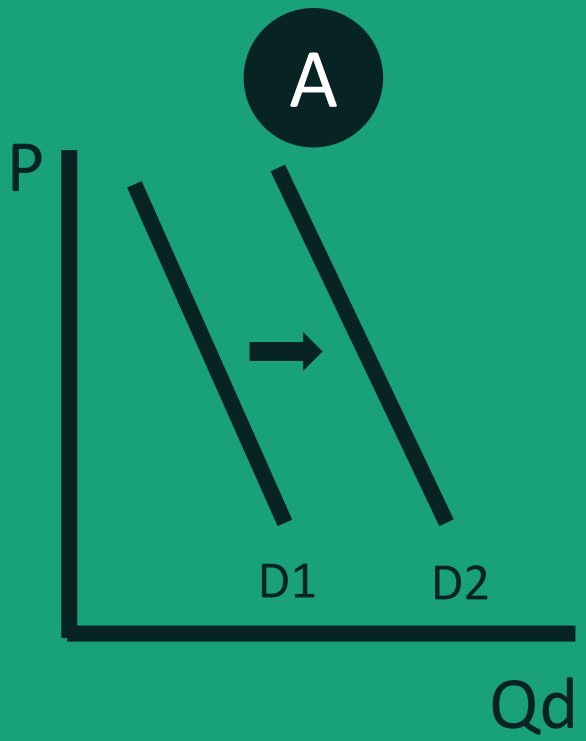


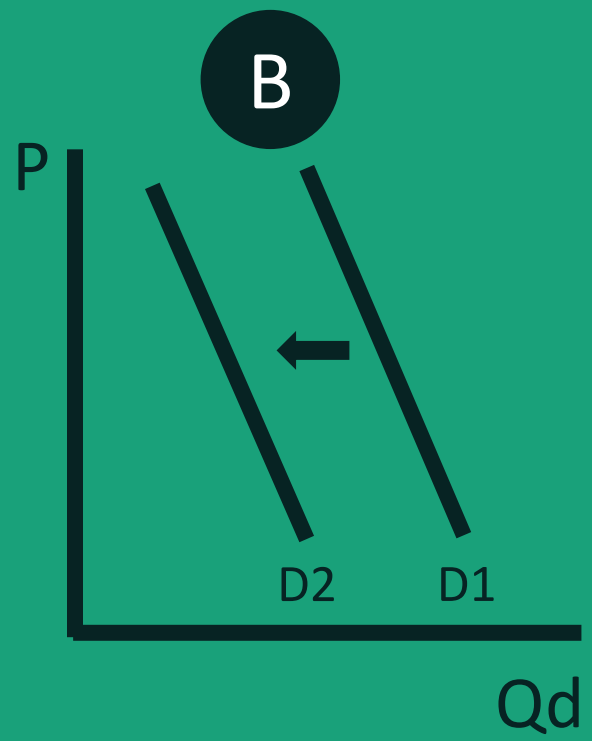
If demand increases shift to the right, and if demand decreases shift to the left.

1. INCOME

1.1 Normal Goods

there is a direct relationship between income and quantity demanded.





Examples:

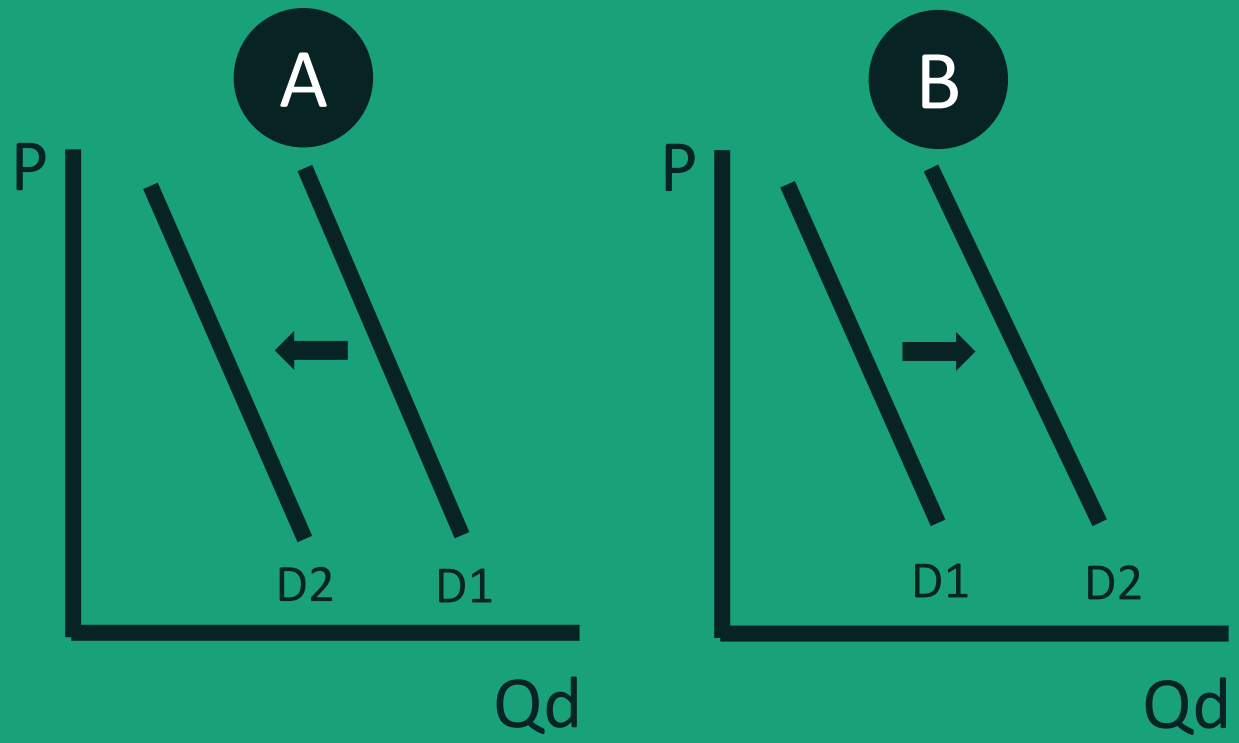
A. Mario’s income increases, so his demand for the expensive shoe is high.

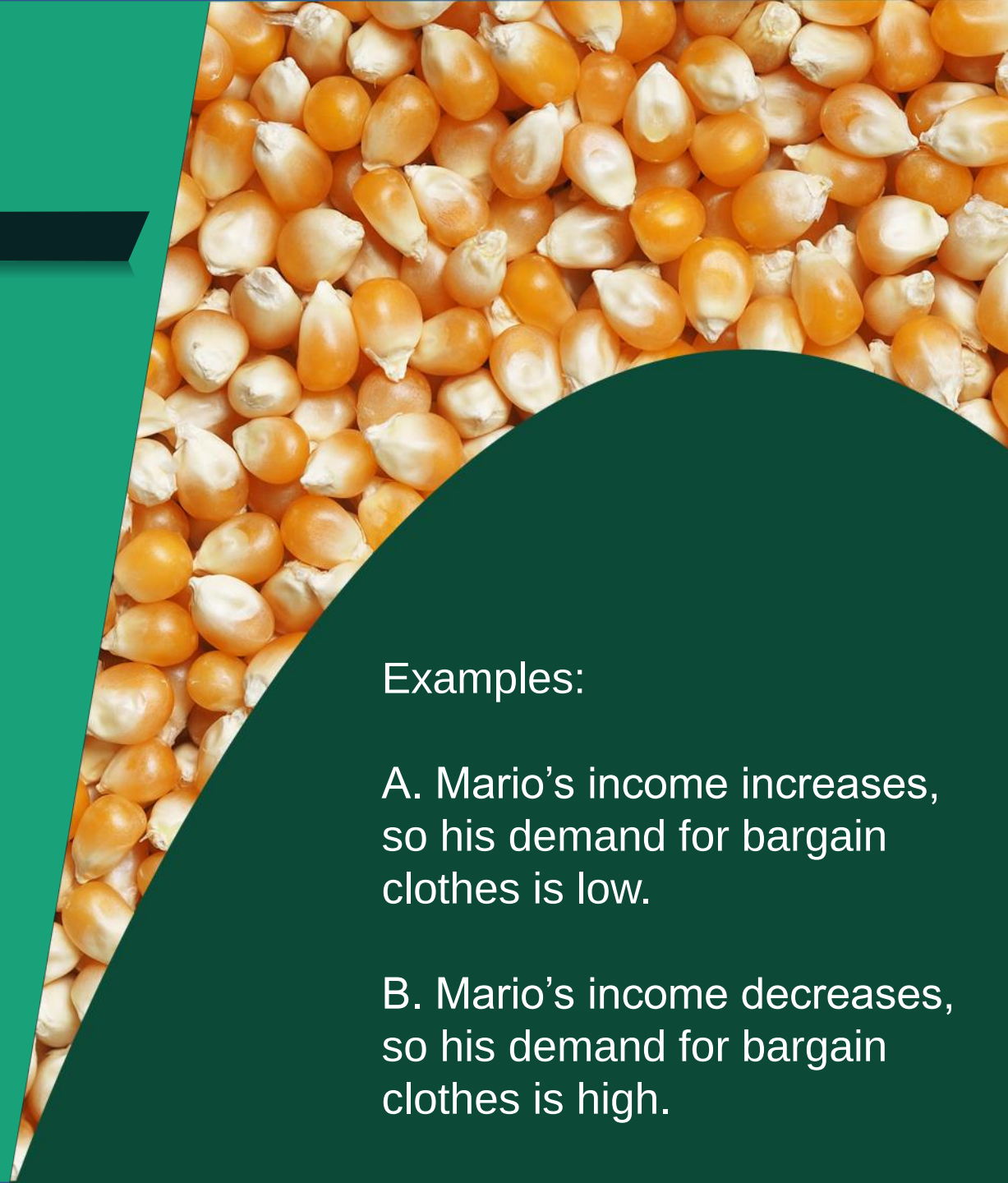
B. Mario’s income decreases, so his demand for the expensive shoe is low.

1. INCOME

1.2 Inferior Goods

there is an inverse relationship between income and quantity demanded.





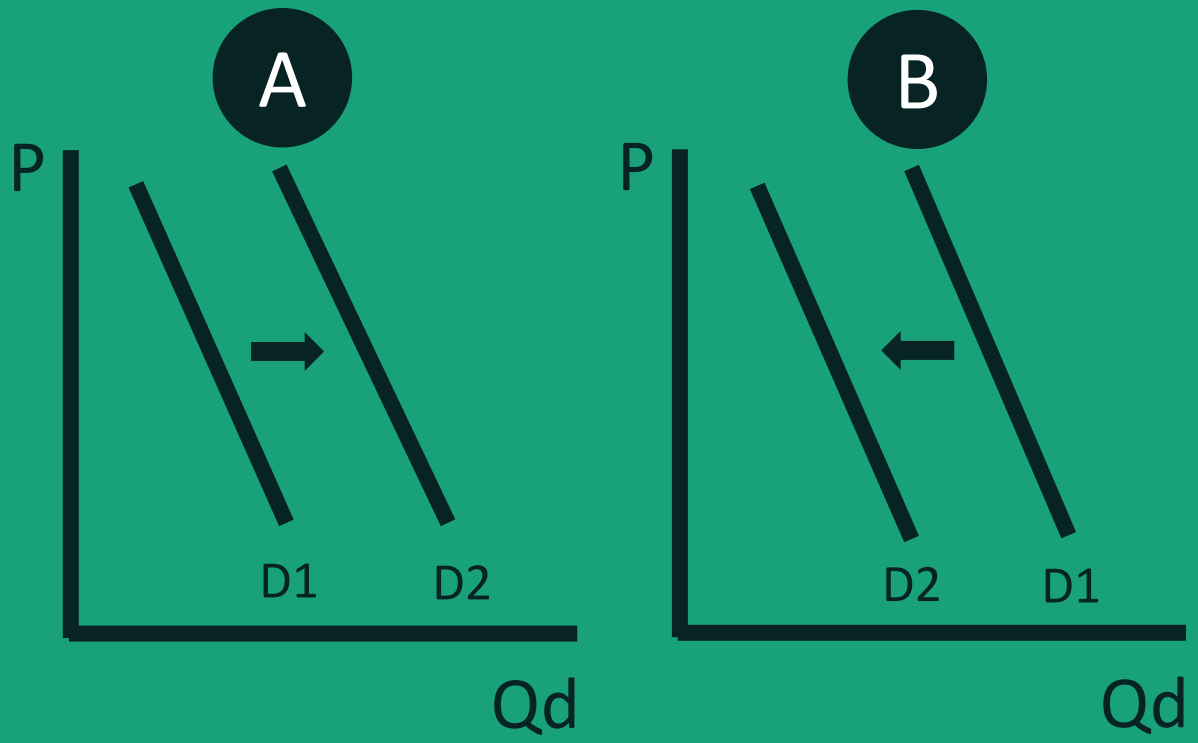
Examples:

A. Mario’s income increases, so his demand for bargain clothes is low.

B. Mario’s income decreases, so his demand for bargain clothes is high.

2. NUMBER OF CONSUMERS

there is a direct relationship between the number of consumers and quantity demanded.



Examples:

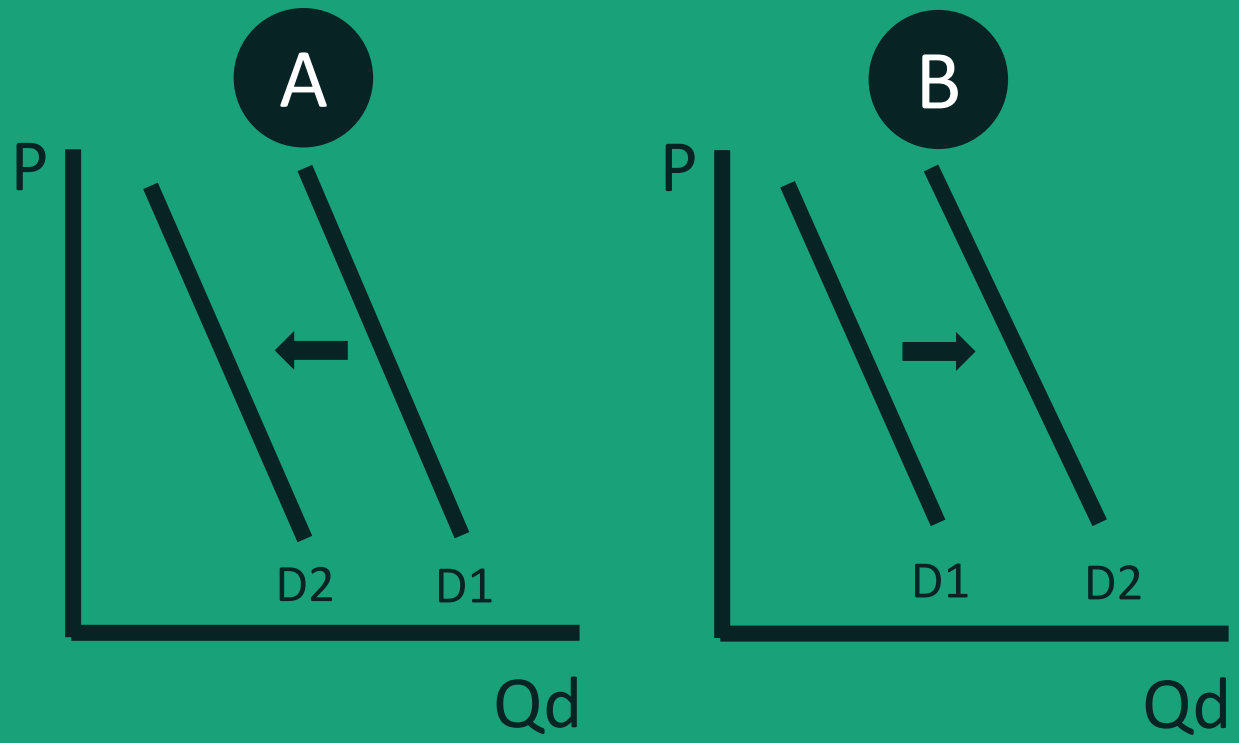
A. Many consumers buy umbrellas due to heavy rain. The demand for umbrella increases.

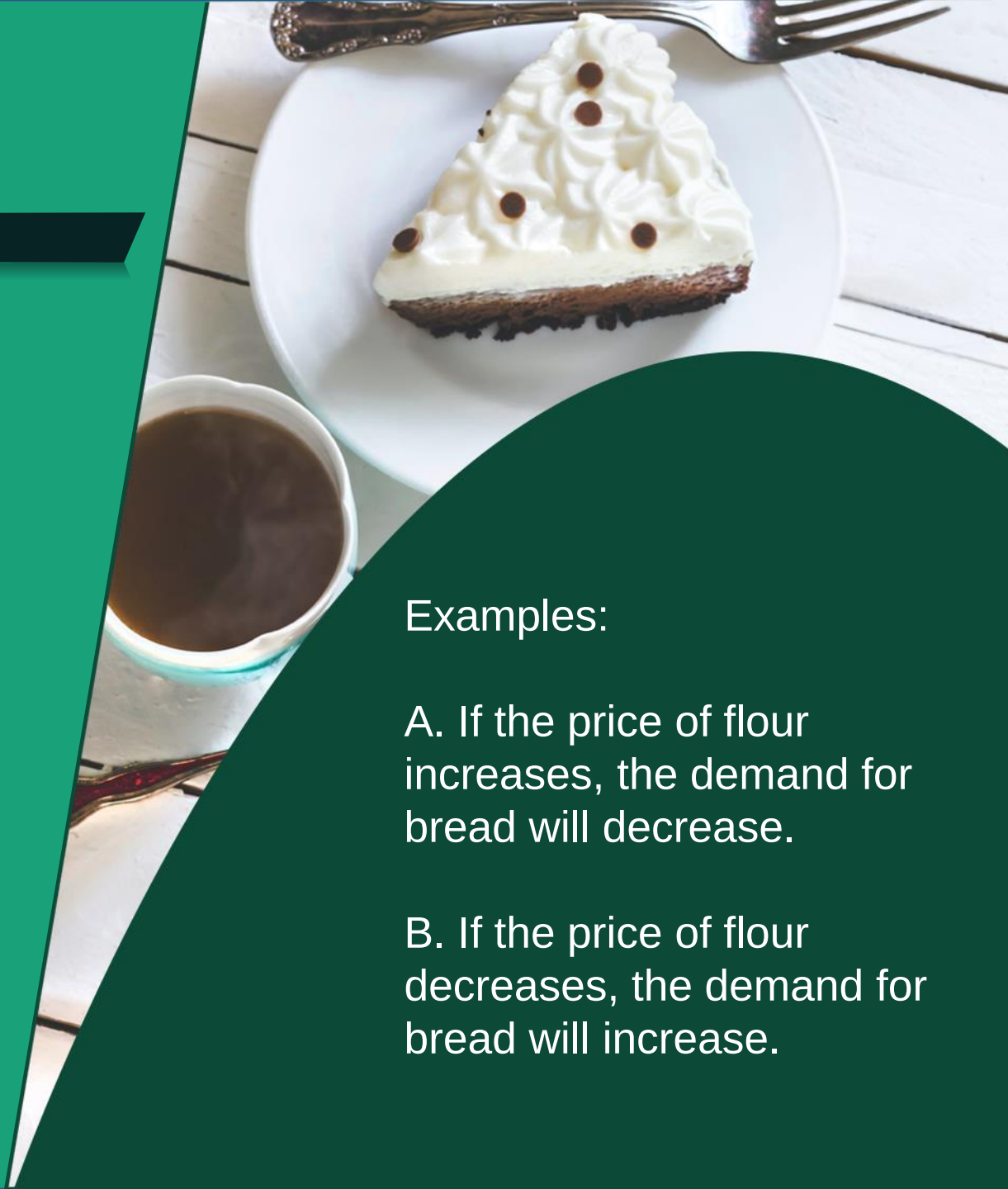
B. Less consumer buy school supply due to summer vacation. The demand for school supply decreases.

3. PRICES OF RELATED GOODS

3.1 Complementary Goods

there is an inverse relationship between one good to the other goods.





Examples:

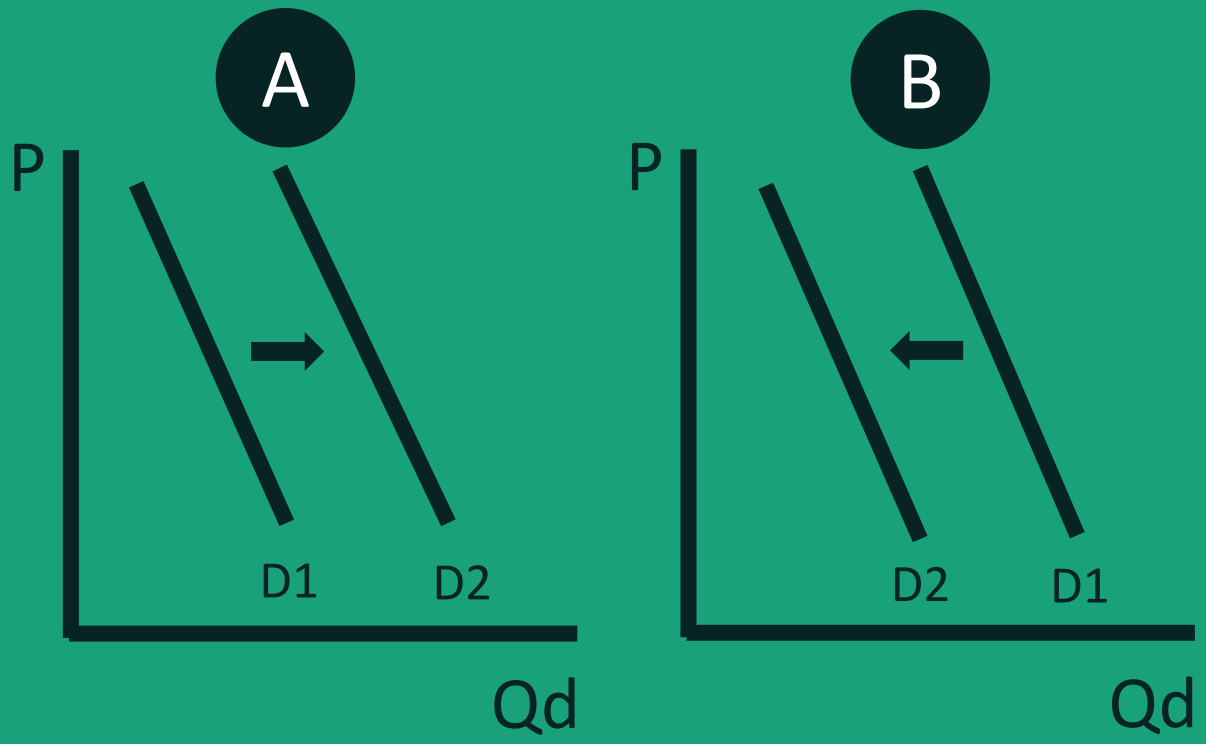
A. If the price of flour increases, the demand for bread will decrease.

B. If the price of flour decreases, the demand for bread will increase.

3. PRICES OF RELATED GOODS

3.2 Substitute Goods

there is a direct relationship between one good to the other goods.



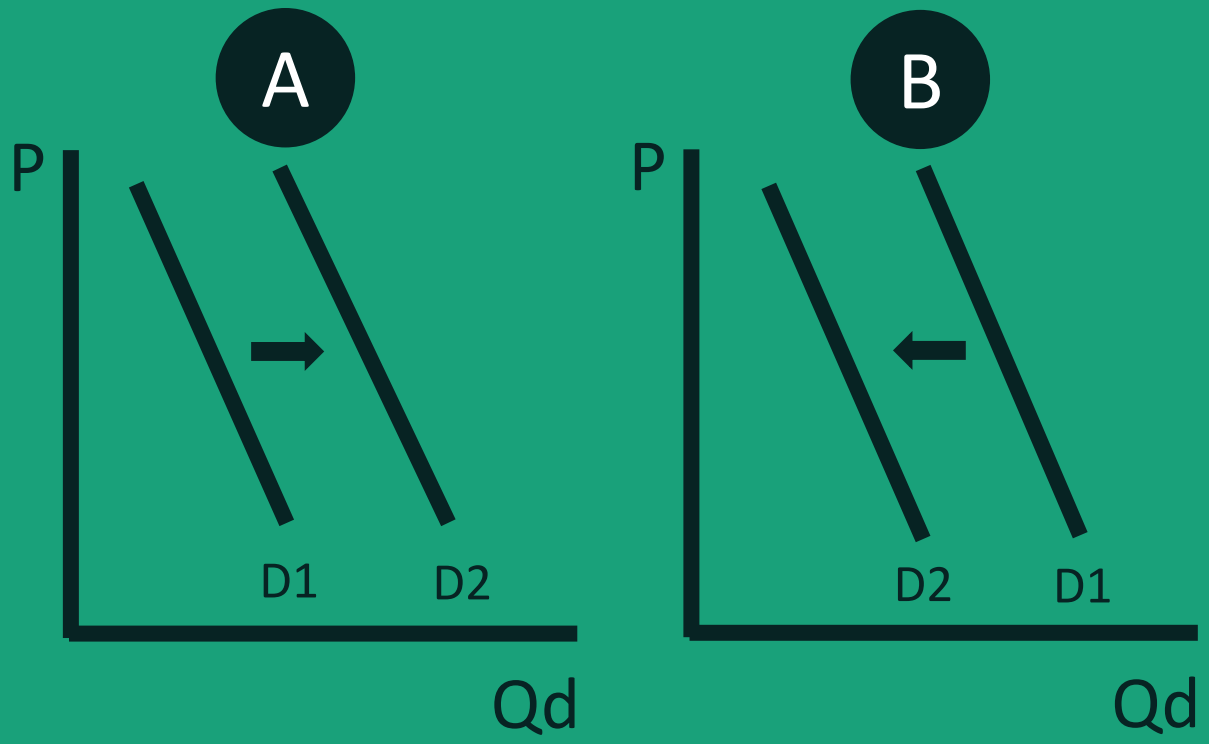
Examples:

A. If the price of Nikon increases, the demand for Canon will also increase.

B. If the price of Nikon decreases, the demand for Canon will decrease as well.

4. TASTES OR PREFERENCES

there is a change in the demand based on the different consumer's sensations, characteristics, and conditions.



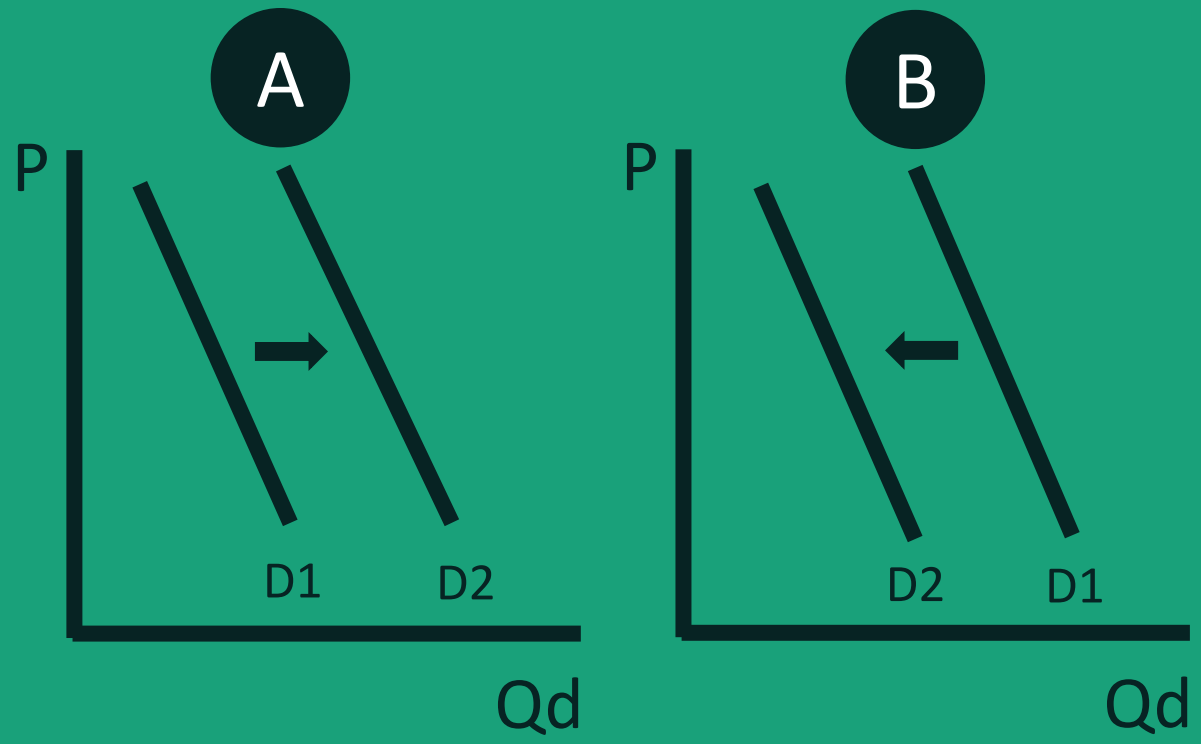
Examples:

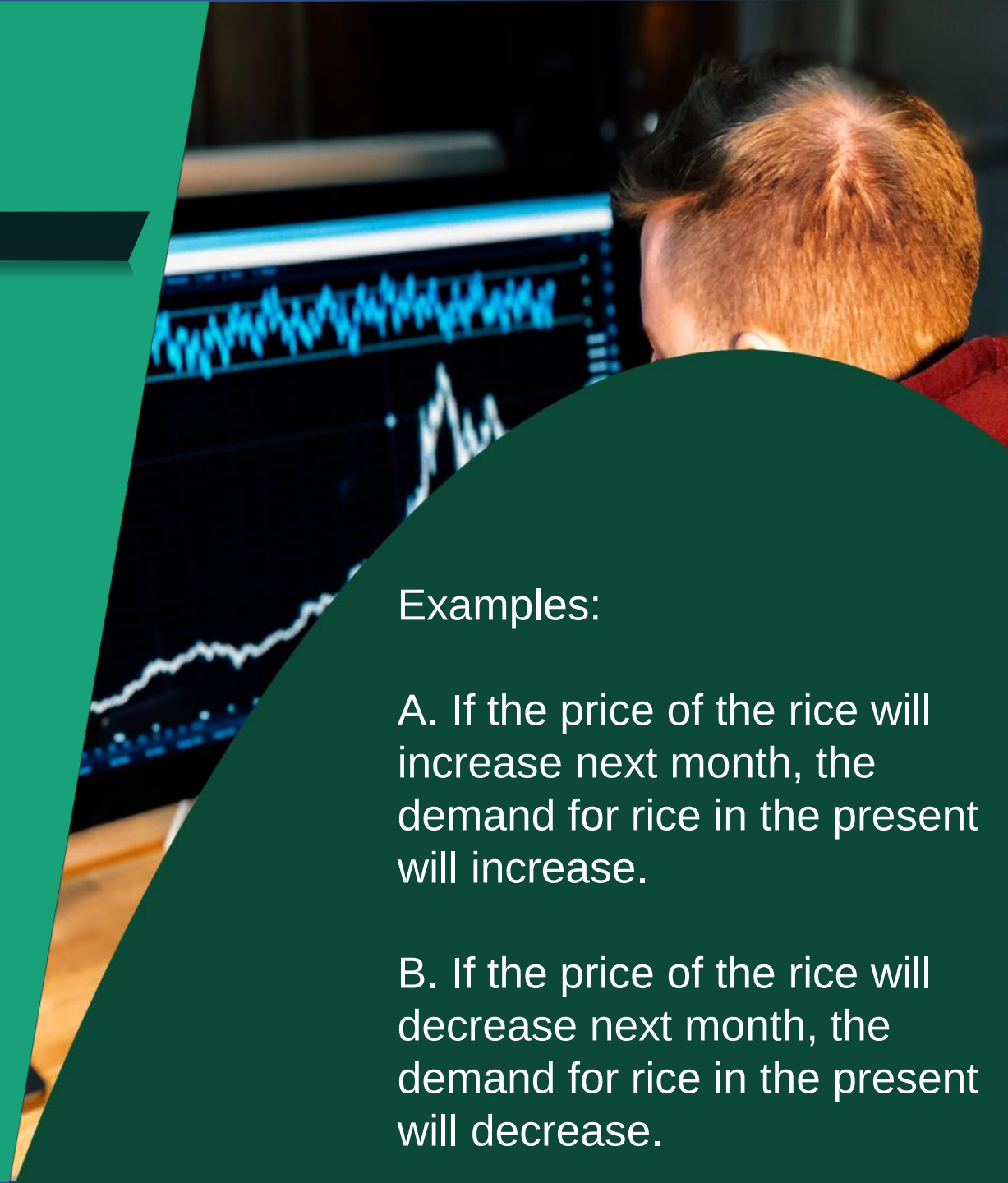
When Charles got older, he became concerned with his health condition, so he shifted his diet from greasy food to nutritious food.

A. Nutritious Food
B. Greasy Food

5. CONSUMERS' EXPECTATION

there is a change of the quantity demanded in the present if the consumer will think ahead or predict the future condition of the market.





Examples:

A. If the price of the rice will increase next month, the demand for rice in the present will increase.

B. If the price of the rice will decrease next month, the demand for rice in the present will decrease.

LAW OF SUPPLY

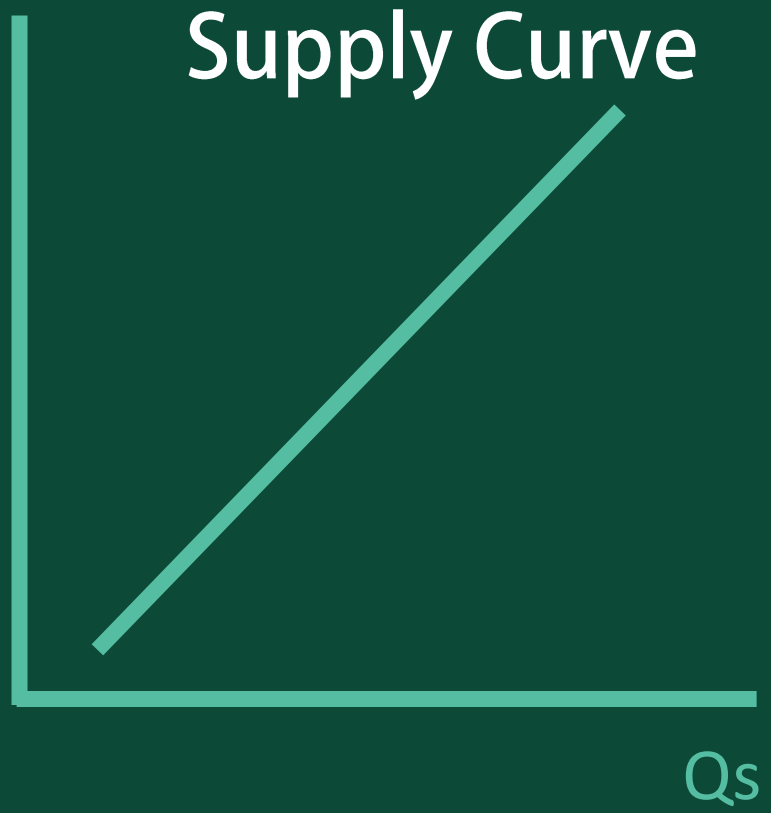
It states that there is a direct relationship between price and quantity supplied. As the price of goods rises, producers will require more supply of it, and as the price of goods falls, producers will need more supply of it.

Supply Schedule

a tabular representation of the direct relationship between price and the quantity supplied.

	SUPPLY SCHEDULE				
Price of Goods	P50	P40	P30	P20	P10
Quantity Supplied	70	55	40	25	10

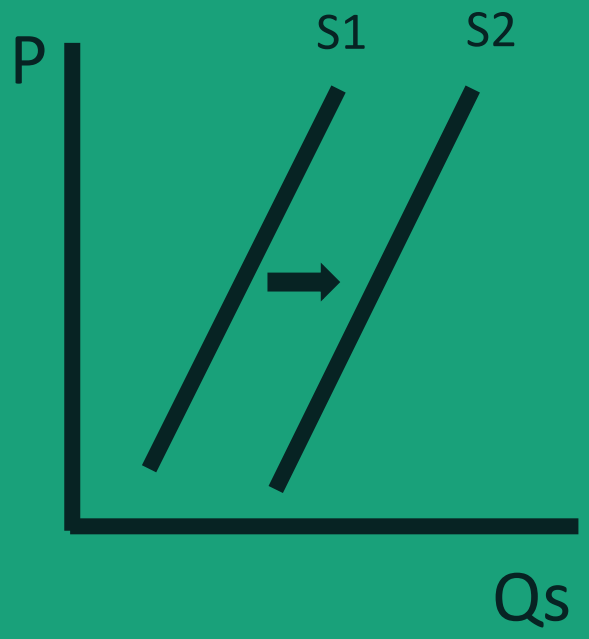
Supply Curve

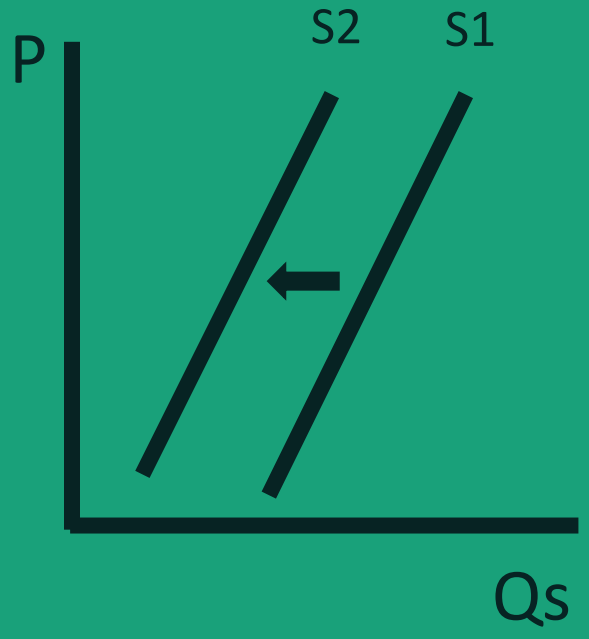


the graphical representation of the direct relationship between the price and the quantity supplied.

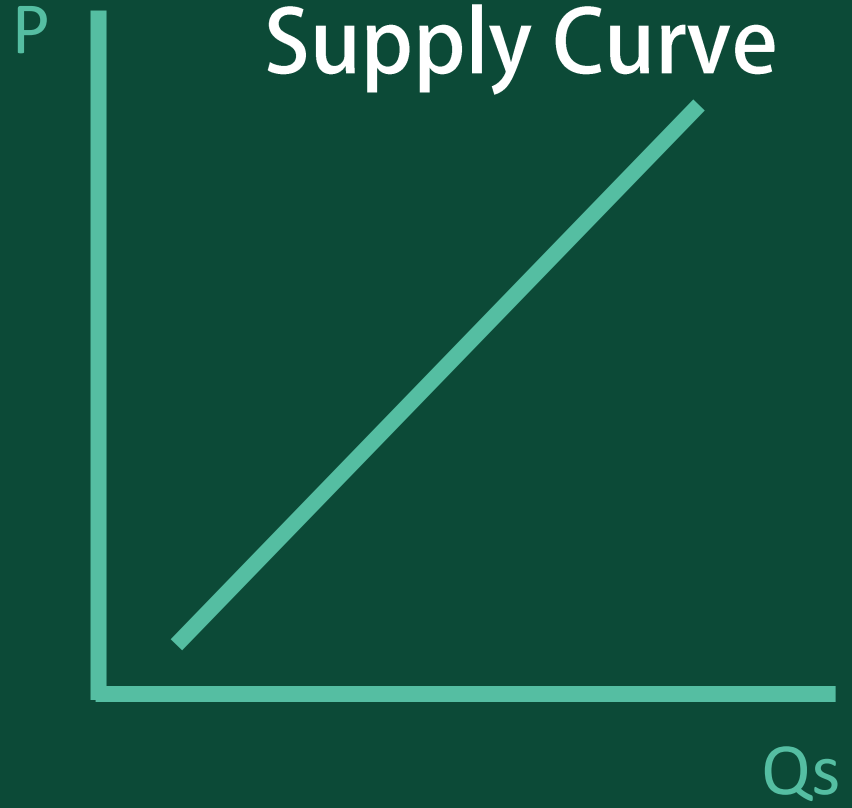
Supply Shifters

These are the factors that affect the movement of the supply curve.





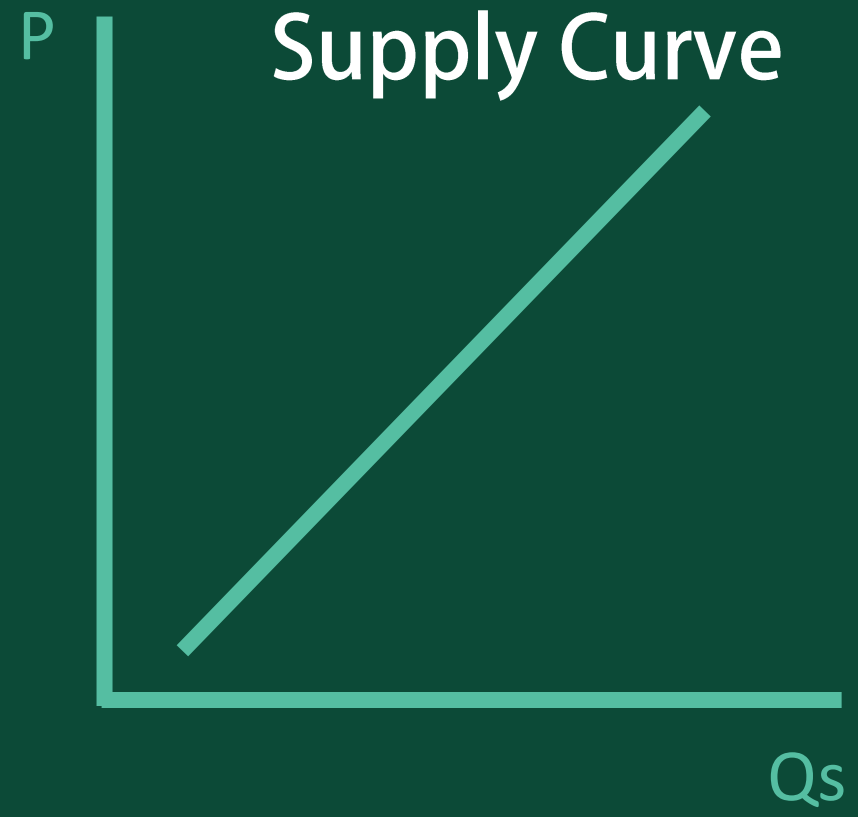
Supply Curve



If supply increases shift to the right, and if supply decreases shift to the left.

Factors That Cause a Supply Curve to Shift

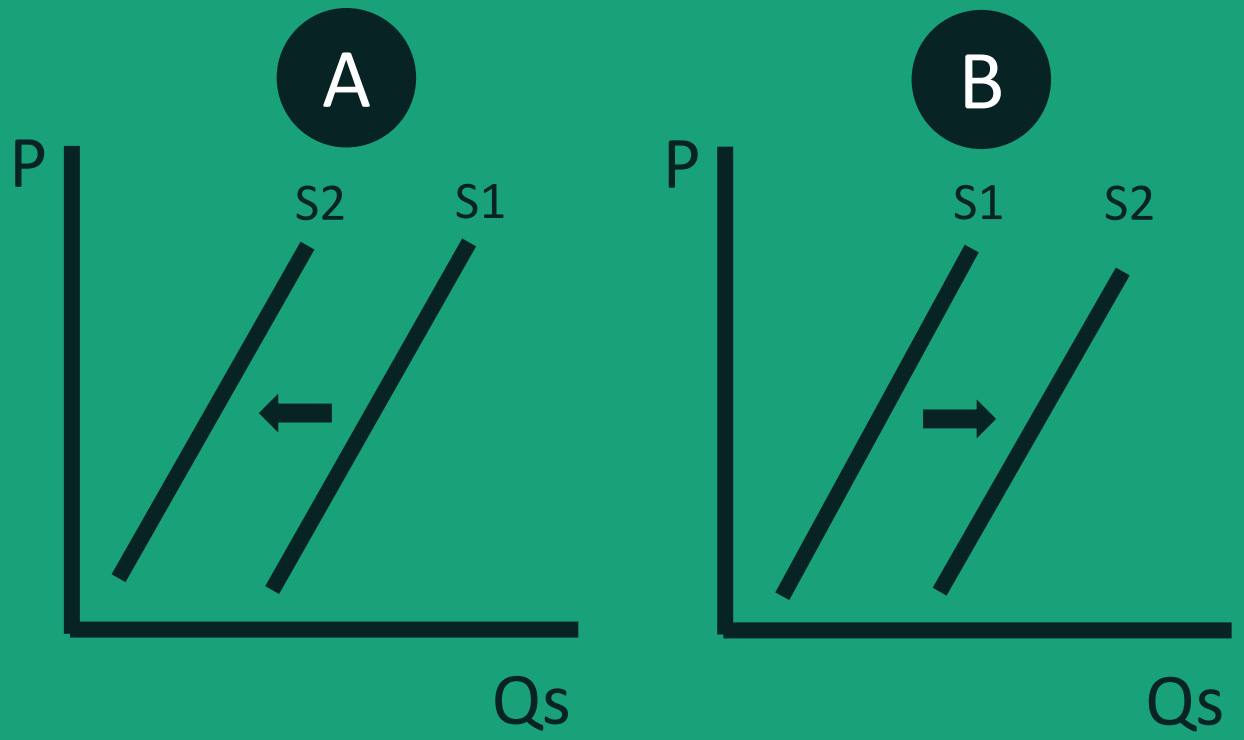
1. PRICE OF RESOURCES
2. NUMBER OF PRODUCERS
3. TECHNOLOGY
4. GOVERNMENT INTERVENTION
5. PRICES OF OTHER GOODS
6. PRODUCERS' EXPECTATION



If supply increases shift to the right, and if supply decreases shift to the left.

1. PRICE OF RESOURCES

a changes in price of resources will affect the amount of quantity supply.



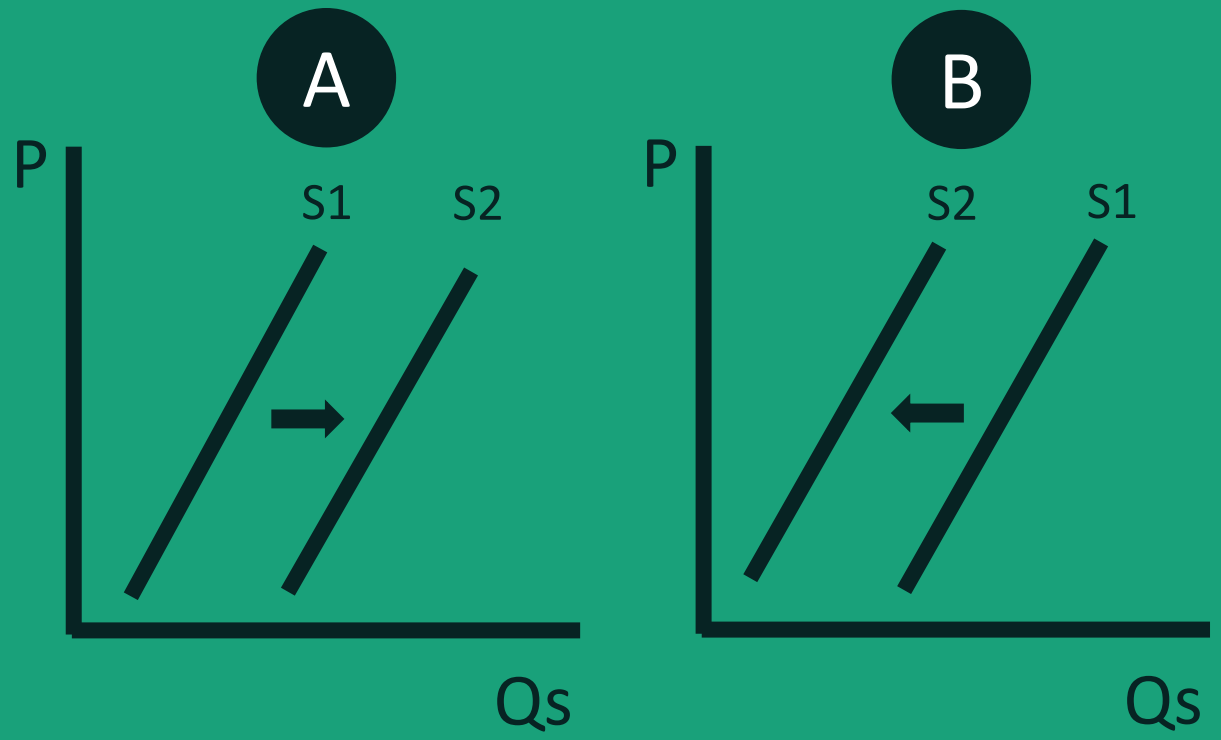
Examples:

A. The price of the brewing machine increases, so the quantity supply of beer decreases.

B. The price of timber decreases, so the quantity supply of paper increases.

2. NUMBER OF PRODUCERS

there is a direct relationship between number of producers and quantity supplied.



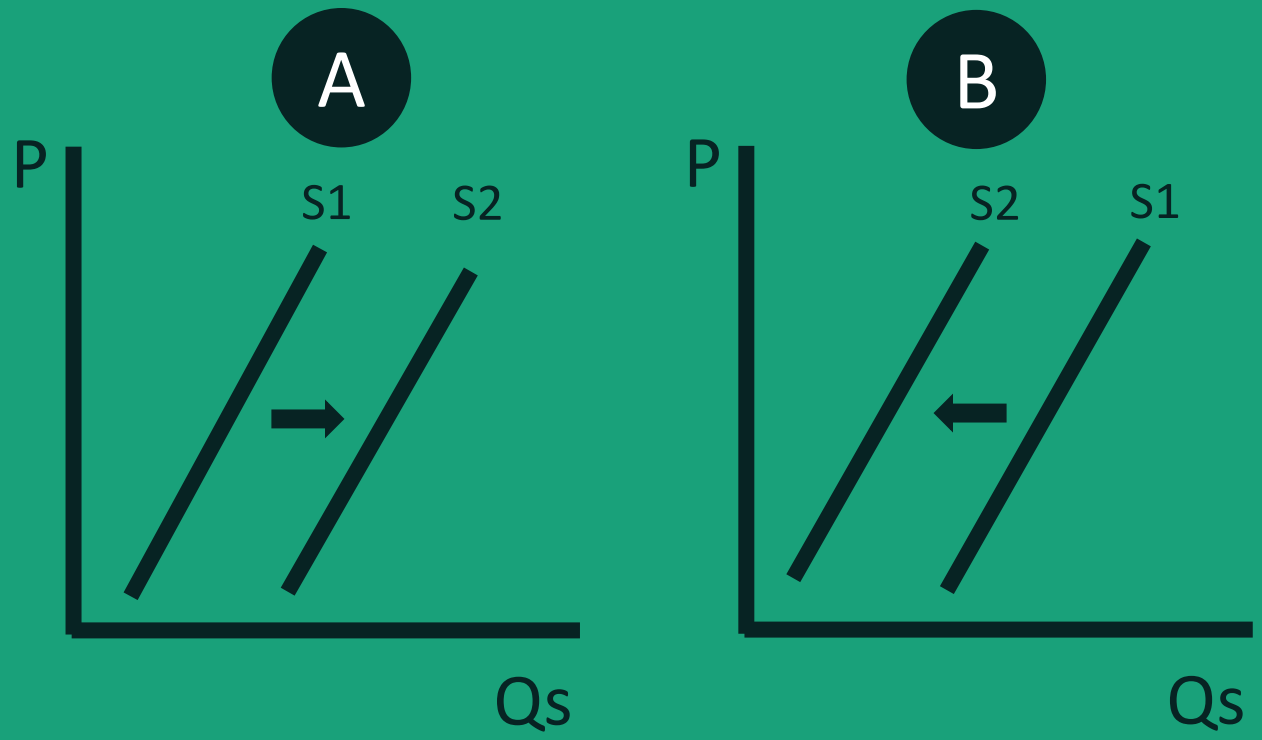
Examples:

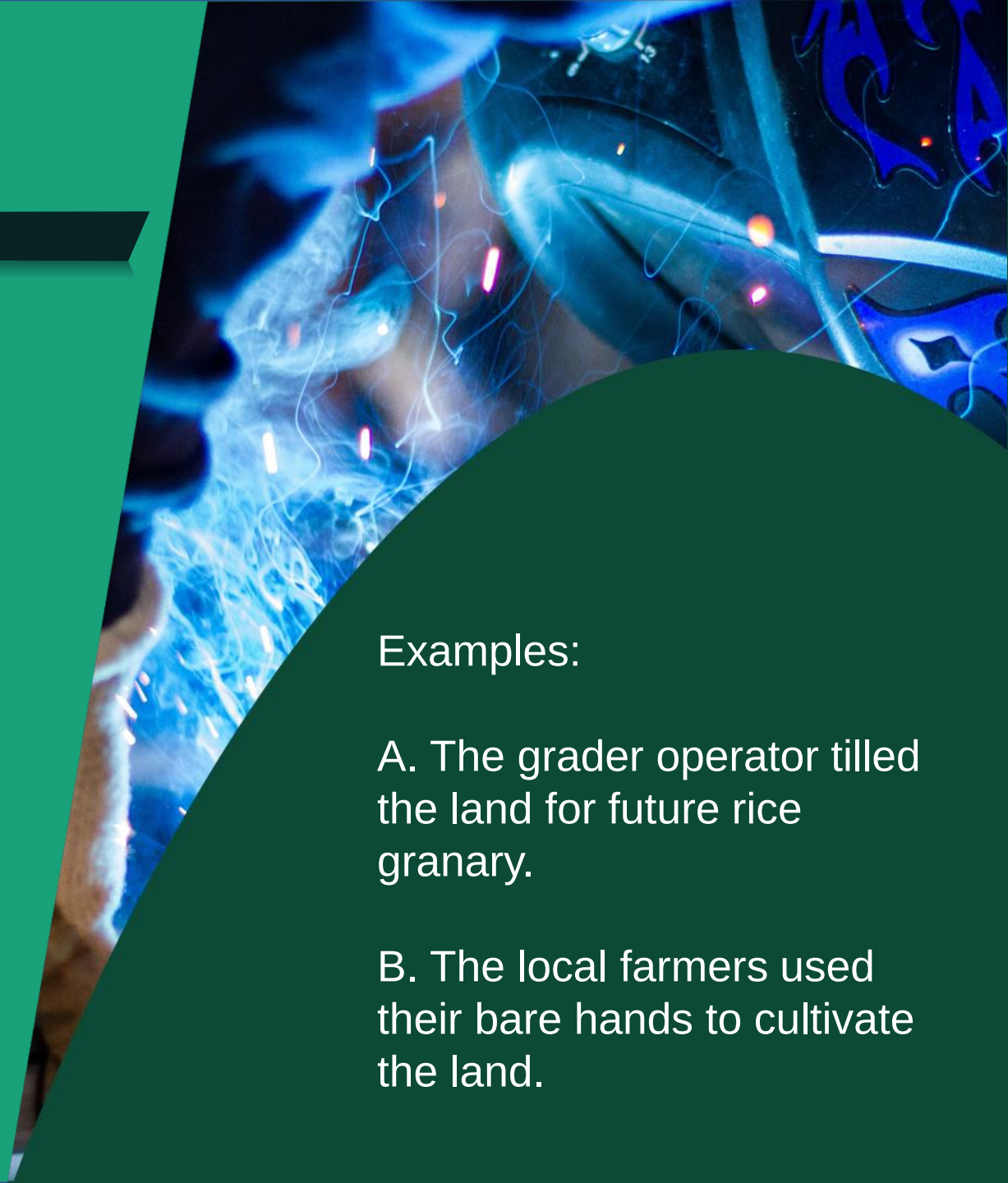
A. There is an increased seller of Milktea due to its popularity. The supply of Milktea increases.

B. There is a decrease in sellers of native coffee due to its competitor in Supermarkets. The supply of native coffee will decrease.

3. TECHNOLOGY

there are change in quantity supplied if producers will use either old or new ways of production.





Examples:

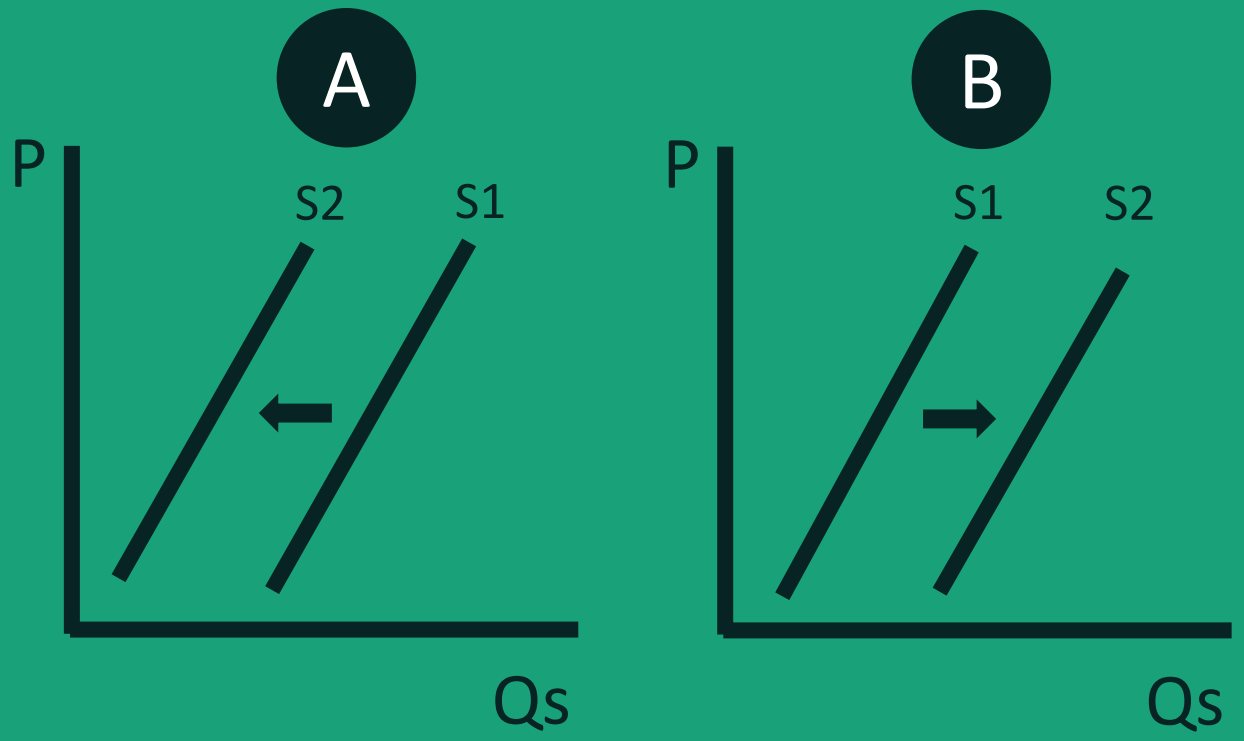
A. The grader operator tilled the land for future rice granary.

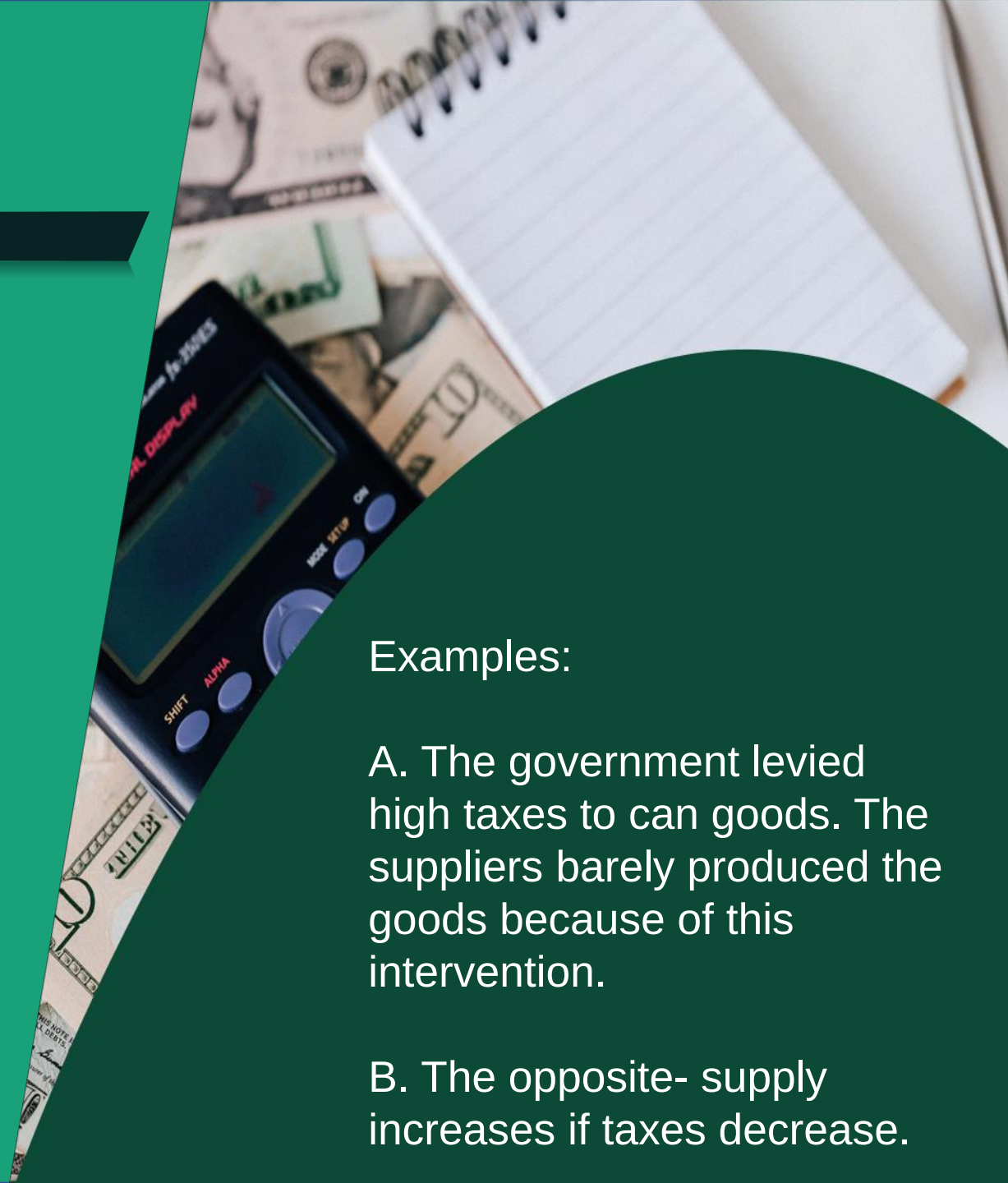
B. The local farmers used their bare hands to cultivate the land.

4. GOVERNMENT INTERVENTION

4.1 Taxes

involuntary payment to government will lead a drastic changes in production.





Examples:

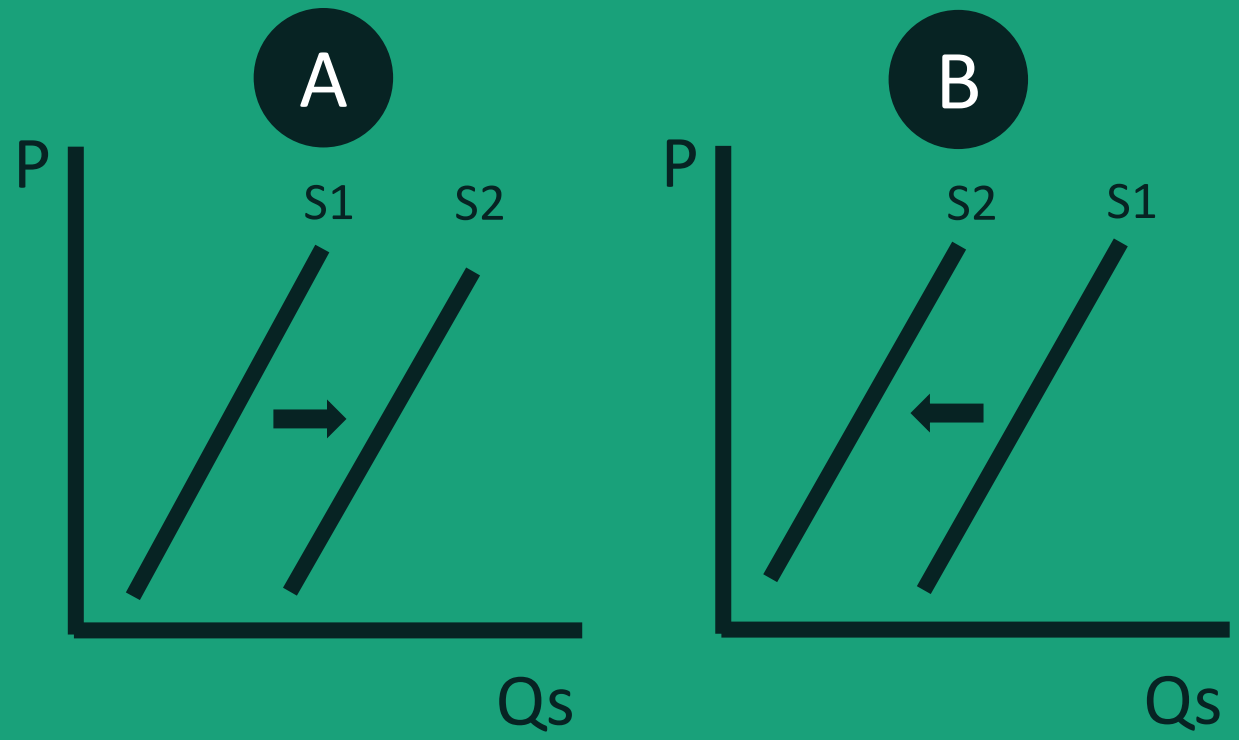
A. The government levied high taxes to can goods. The suppliers barely produced the goods because of this intervention.

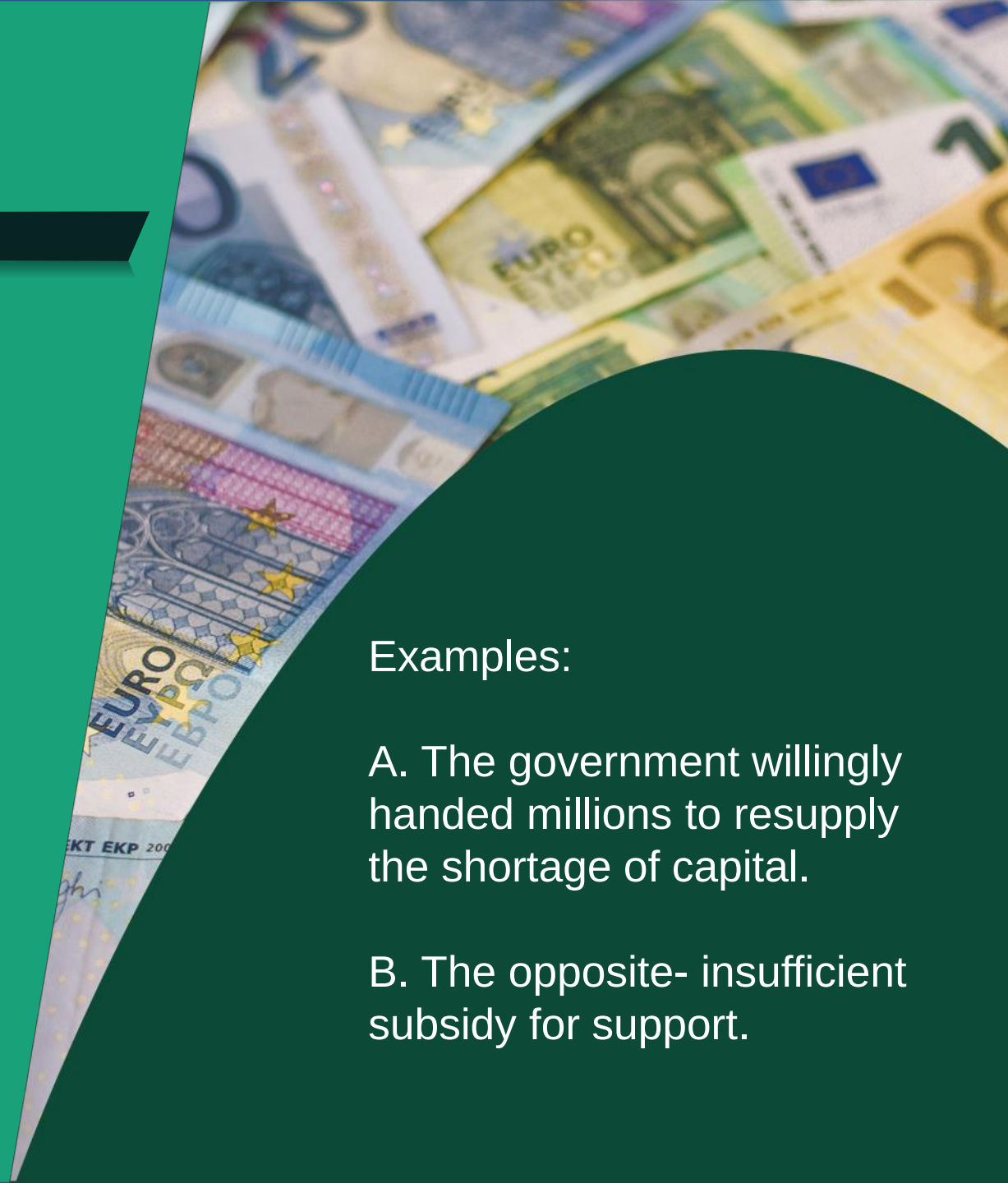
B. The opposite- supply increases if taxes decrease.

4. GOVERNMENT INTERVENTION

4.2 Subsidies

contribution by the government to ensure the stability of production.





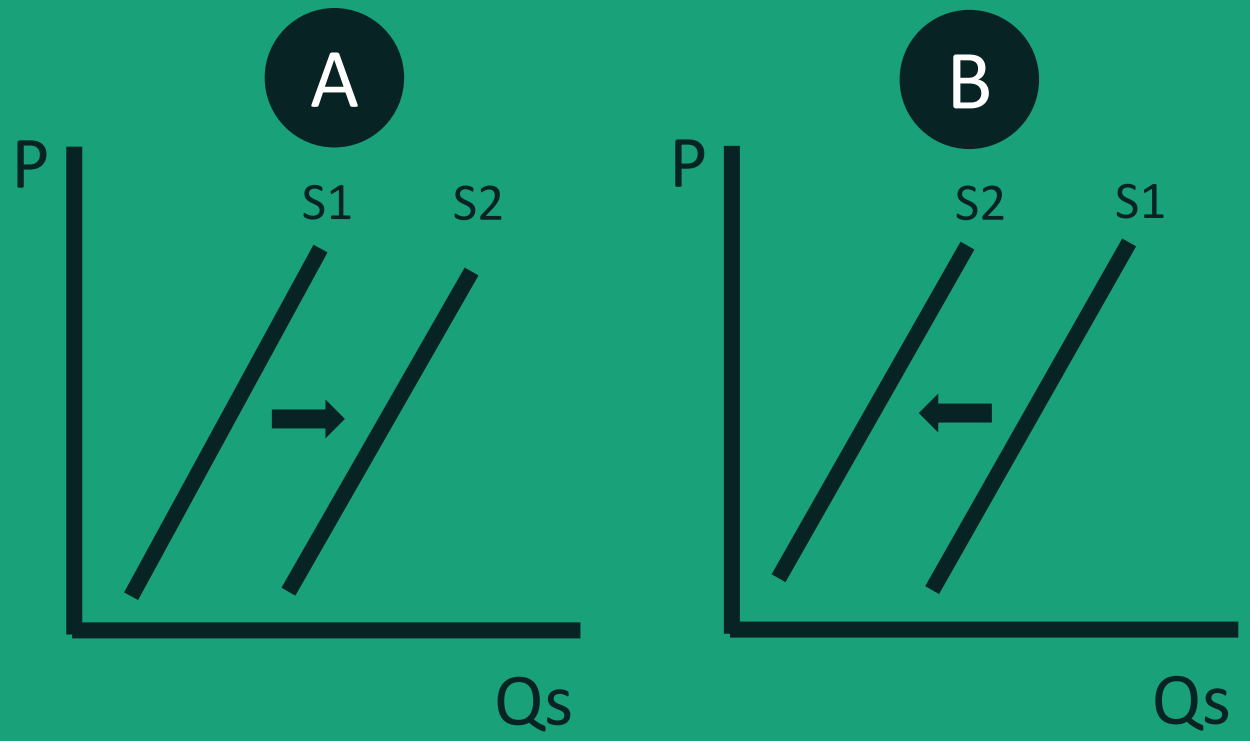
Examples:

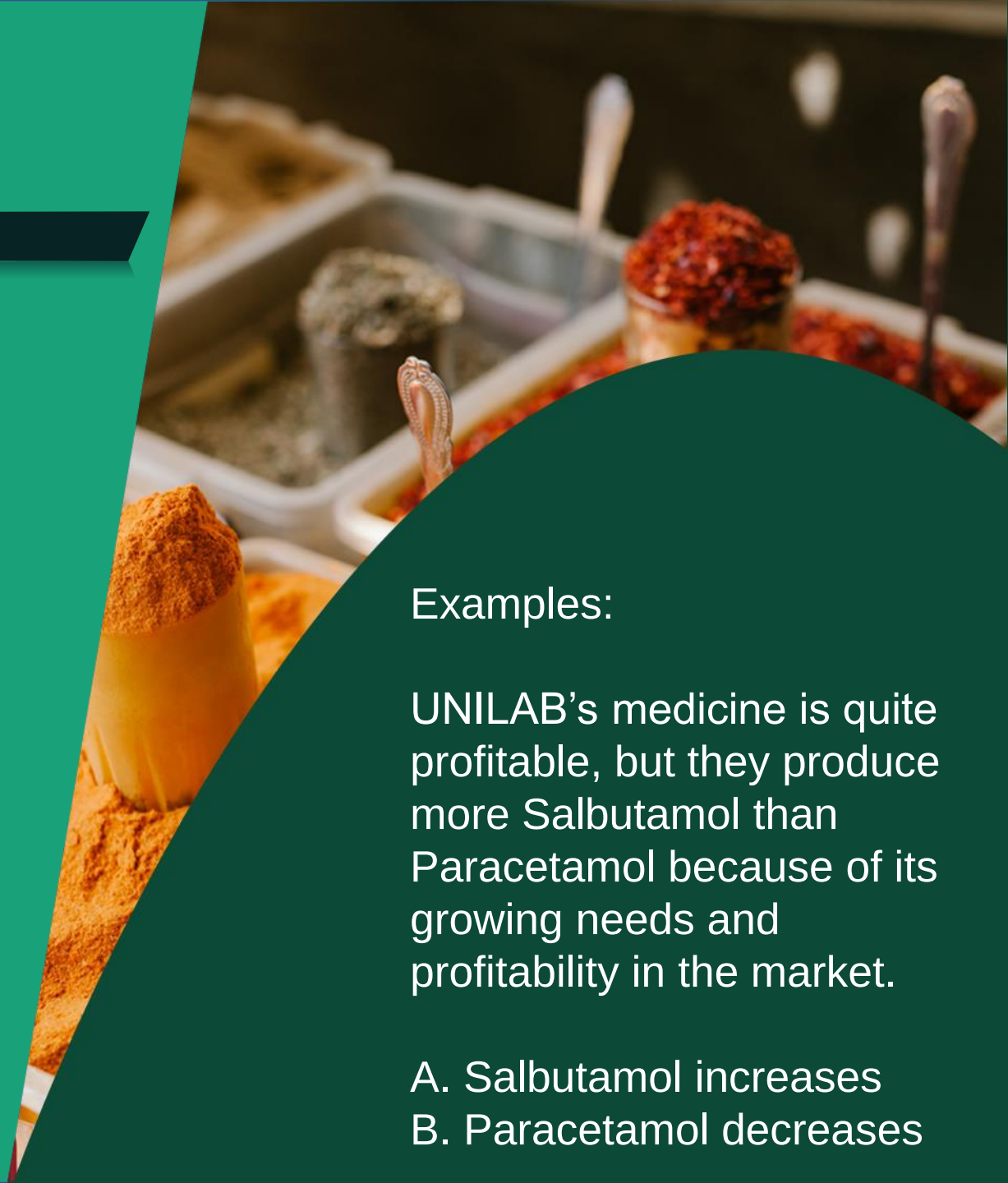
A. The government willingly handed millions to resupply the shortage of capital.

B. The opposite- insufficient subsidy for support.

5. PRICES OF OTHER GOODS

The focus of production of the firm shifted if one of their products is demand and the other is not. The increase in supply for one is the loss of the other.





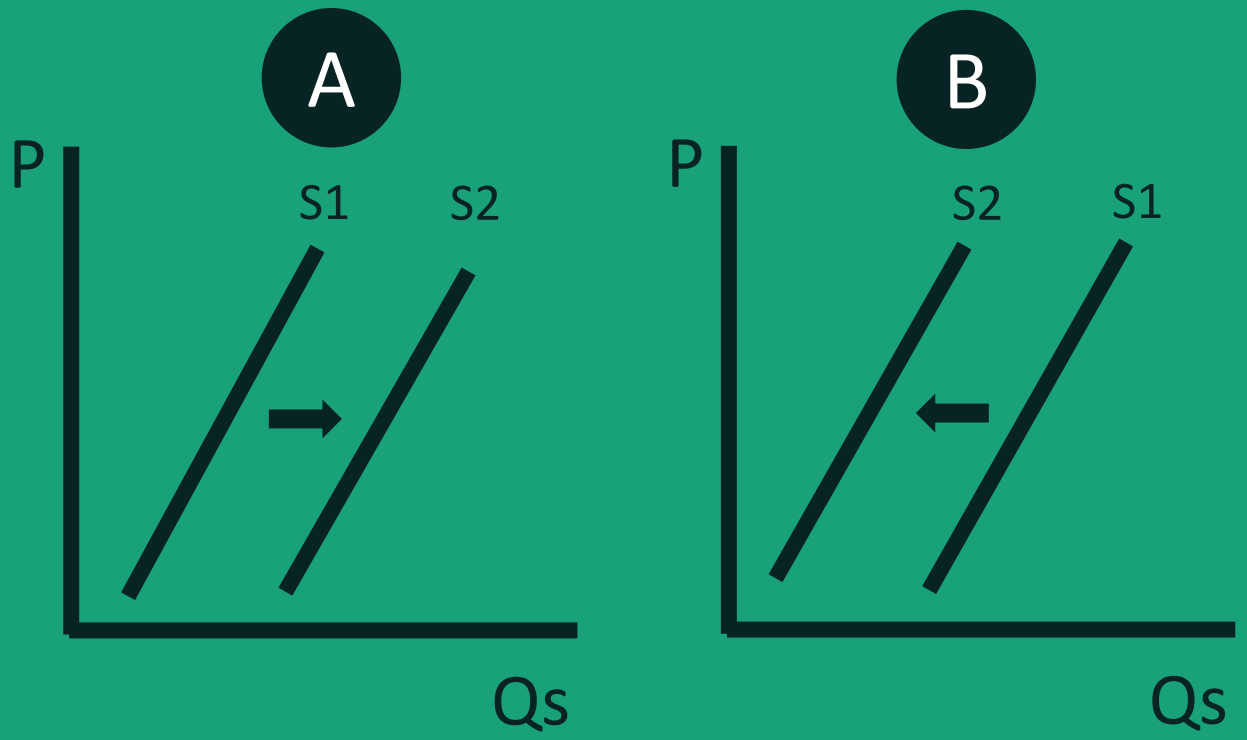
Examples:

UNILAB's medicine is quite profitable, but they produce more Salbutamol than Paracetamol because of its growing needs and profitability in the market.

A. Salbutamol increases
B. Paracetamol decreases

6. PRODUCERS' EXPECTATION

there is a change of the quantity supplied in the present if the producer will think ahead or predict the future condition of the market.



Examples:

A. If the weather forecaster announces that the calamity will probably strike on Monday, the supply of goods will increase.

B. If the weather forecaster announces that the strong wind will successfully bypass the AOR, the supply of goods will decrease.

Thank You !